

THE HONORABLE TIMOTHY W. DORE

Hearing Date: August 7, 2015

Hearing Time: 9:30 am

Response Date: July 31, 2015

Hearing Location: Seattle

Chapter 11

THE UNITED STATES BANKRUPTCY COURT FOR THE
WESTERN DISTRICT OF WASHINGTON AT SEATTLE

In re

RECOVERY CENTERS OF KING COUNTY,

Debtor-in-Possession.

Case No. 15-13060

SECOND MOTION TO APPROVE
SALE OF REAL PROPERTIES

COMES NOW Recovery Centers of King County, the Debtor-in-Possession herein, by and through its attorneys of record, Wells and Jarvis, P.S., and hereby moves the Court for entry of an order authorizing it to sell the following real properties:

1. 464 12th Avenue, Seattle, WA 98122 to Meter, LLC
2. 1701 18th Ave So., Seattle, WA 98144 to BDR Homes, LLC, or to Valley Cities Counseling and Consultation
3. 505 Washington Ave. So, Kent, WA 98032 to Valley Cities Counseling and Consultation.

The total sale price for the property located at 464 12th Avenue, Seattle, Washington ("12th Avenue Property") is \$3.8 million. The terms of the proposed sale of real property are set forth on the purchase and sale agreement attached as **Exhibit A** hereto. A legal description of the 12th Avenue Property can be found in Exhibit A to the purchase and sale agreement.

MOTION TO APPROVE SALE OF PROPERTIES - 1

WELLS AND JARVIS, P.S.

502 Logan Building

500 Union Street

Seattle, WA 98101-2332

206-624-0088 Fax 206-624-0086

1 There are two offers on the property located at 1701 18th Ave So., Seattle, Washington
2 (“Beacon Hill Property”). Under either offer, the sales price would be \$4.8 million. The terms
3 of the proposed sale of real property to BDR Homes, LLC, are set forth on the purchase and
4 sale agreement attached as **Exhibit B** hereto. A legal description of the Beacon Hill Property
5 can be found in Exhibit A to the purchase and sale agreement. The terms of the proposed sale
6 of real property to Valley Cities Counseling and Consultation are set forth on the purchase and
7 sale agreement attached as **Exhibit C** hereto.

9 Debtor would propose that the sale of the Beacon Hill Property be approved to the best
10 and highest bidder. Currently the bid amounts are the same, however the BDR Homes, LLC,
11 offer appears stronger at this point due to the lack of a financing contingency. Also, because
12 BDR Homes, LLC, seeks to develop the property for townhomes or apartments, the condition
13 of the building will not be a factor in its feasibility study. Assuming there are no further
14 developments to the contrary by the time of the hearing, Debtor would propose that the Court
15 choose the BDR Homes, LLC offer.

17 The total sale price for property located at 505 Washington Ave, Kent, WA (“Kent
18 Property”) is \$1.9 million. The terms of the proposed sale of real property to Valley Cities
19 Counseling and Consultation are set forth on the purchase and sale agreement attached as
20 **Exhibit D** hereto. A legal description of the Kent Property can be found in Exhibit A to the
21 purchase and sale agreement.

23 As set forth on the accompanying declaration of Carole Hayes, none of the proposed
24 buyers is an insider of the Debtor or otherwise affiliated with the Debtor. The real estate agent
25 for the Debtor, Allan Friedman, has been employed through a separate application.

1 Debtor seeks an order which will authorize the sale of Debtor's real estate free and clear
2 of liens, claims and encumbrances pursuant to the purchase and sale agreements attached as
3 **Exhibits A, B, C and D.** Section 363(b) of the Bankruptcy Code authorizes a debtor to sell its
4 assets outside of the ordinary course of business where the debtor has shown (1) that sound
5 business reason exists for the proposed transaction; (2) the sale has been proposed in good
6 faith; (3) the sale price is fair and reasonable; and (4) that accurate and reasonable notice has
7 been provided for the transaction. All four factors are present here.

9 Total gross sale proceeds from all three parcels are \$10,500,000. Bank of America,
10 N.A. holds deeds of trust on each of the three properties as detailed in the Debtor's schedules
11 and plan. Bank of America, N.A., has asserted in its proof of claim that the total of its claim
12 secured by these three deeds of trust equals approximately \$5,500,000. Sales at the proposed
13 prices will therefore result in full payment to Bank of America, N.A. Further, Debtor is hopeful
14 that the sales will also generate sufficient proceeds to fully fund its plan.

16 Debtor has acted in good faith in soliciting offers and negotiating four different arms-
17 length purchase and sale agreements, all with non-insiders. All of the terms of the proposed
18 sale are disclosed on the attached purchase and sale agreements. As set forth on the
19 accompanying declaration of Debtor's realtor, Allan Friedman, these sales represent fair market
20 values for Debtor's real estate at 464 12th Avenue Seattle, WA 98122, 1701 18th Ave So.,
21 Seattle, WA, and 505 Washington Ave., Kent, WA. By bringing the present motion, Debtor is
22 ensuring that all parties have adequate notice of the proposed sales.

24 Debtor seeks sales free and clear of liens under Section 363(f) of the Bankruptcy Code.
25 Bank of America's lien of \$5,500,000 exceeds the proposed sale price on the real property at
26 464 12th Ave, Seattle, WA, but its first deed of trust is also secured by the remaining two
27

1 properties. Therefore, with the subsequent closing of the two remaining properties Bank of
2 America will be paid in full.

3 Debtor had approximately \$189,133.55 on hand as of the end of June, 2015, per the
4 latest report on file with the Court. Depending upon how quickly the other properties sell,
5 Debtor may request from Bank of America prior to the hearing on the proposed sale, a carve-
6 out from Bank of America's security interest of up to \$200,000 to ensure sufficient funds for
7 Debtor to administratively complete a proper and orderly Chapter 11 liquidation. Any funds
8 which the Court may carve out from the security interest of Bank of America will be subject to
9 a separate cash collateral order governing use of any such funds.
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11 The proposed sales are also pursuant to Debtor's plan of reorganization, for which
12 Debtor is seeking confirmation on July 24, 2015. It is Debtor's intent that the proposed sales be
13 closed after confirmation of Debtor's plan, such that Debtor may take advantage of the special
14 tax provisions of 11 U.S.C. § 1146(a).
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16 Any party who wishes to submit a competing bid for any of the three properties for the
17 court's consideration should do so not later than the response date of July 31, 2015. Any
18 submittals should be sent by mail, email or fax to Wells and Jarvis, P.S. 500 Union St, Ste 502,
19 Seattle, WA 98101, Fax 206-624-0086 or paralegal@wellsandjarvis.com.
20

21 Wherefore, Debtor respectfully requests that the Court enter the attached proposed order
22 approving the sale of Debtor's properties at 464 12th Avenue, Seattle, WA for \$3.8 million to
23 Meter, LLC, 1701 18th Ave. S, Seattle, WA for \$4.8 million to BDR Homes, LLC, or Valley
24 Cities Counseling and Consultation, and 505 Washington Ave, Kent, WA for \$1.9 million to
25 Valley Cities Counseling and Consultation.
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27 Dated this 17th day of July, 2015.

1 /s/ Jeffrey B. Wells
2 By: Jeffrey B. Wells, WSBA #6317
3 Attorneys for Debtor
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MOTION TO APPROVE SALE OF PROPERTIES - 5

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